

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1745 – HB 1791

April 1, 2014

SUMMARY OF ORIGINAL BILL: Authorizes a local board of education to refuse to accept federal funding for any education program, by adoption of a resolution, without a penalty being assessed by any state agency or state official.

FISCAL IMPACT OF ORIGINAL BILL:

Other Fiscal Impact – To the extent any local education agency (LEA) refuses federal funding, that LEA will incur a permissive decrease in revenue and a permissive increase in expenditures in order to sustain operations.

Depending on the type of federal funding that may be refused by any LEA, such federal funding could be reallocated to another LEA. Any LEA that would receive additional federal funding under this scenario may be able to reduce expenditures of local funding, if the purpose for which the federal funding is received allows the LEA to reduce expenditures of such local funding.

The state may also recognize a reduction in federal funding, if the federal funding refused by an LEA cannot be reallocated to another LEA, thus requiring such federal funds to be returned to the federal government.

For each of the above possible contingencies, fiscal impacts cannot be reasonably quantified as such impacts are dependent upon multiple unknown factors.

SUMMARY OF AMENDMENTS (015479, 015489): Amendment 015479 adds language to Section 1 of the original bill that would prohibit the refusal of federal funding that would cause a loss of federal funding for all local education agencies in the program. Amendment 015489 requires local boards of education that intend to refuse federal funding to notify the Department of Education before such action is taken.

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FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- No change in the Basic Education Program (BEP) funding formula.
- Refusal of federal funding for education programs would not remove the requirement that LEAs serve the population for which the federal funding was intended.
- Any LEAs that elect not to accept federal funding will recognize permissive decreases in local revenue and incur permissive increases in expenditures in order to sustain LEA operations. Any such impacts are dependent upon several unknown factors such as the extent of federal funding refused, the number of LEAs refusing federal funding, and the frequency that federal funding is refused. Given the extent of unknown factors, a precise impact to state and local government cannot be determined.
- Any increase in permissive local expenditures to send notifications to the Department of Education is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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